GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3864
ANSWERED ON:24.03.2017
Foreign Institutional Investors
Gandhi Shri Feroze Varun

Will the Minister of FINANCE be pleased to state:

Will the Minister of FINANCE be pleased to state:
(a) the details of amount invested by Foreign Institutional Investors (FIIs) along with investments made in stock market under Participatory-Notes (P-Notes) during the last three years and the current year;
(b) whether the Government has any plans to restrict the inflow of money via P-Notes into equity markets, if so, the details thereof; and
(c) the steps taken by the Government to ensure that black money does not get routed through P-Notes into Indian equity markets?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)
(a) Net Investment made by Foreign Portfolio Investors (FPIs) [formerly known as Foreign Institutional Investors-FIIs] during last three calendar years and the current year is as below:

Year Net Investments (INR Cr.)
2014 256,213
2015 63,662
2016 23,080
2017 12,367 (upto Feb 2017)

The notional value of outstanding Offshore Derivative Instruments (ODIs) [also known as Participatory Notes (PNs)] during the last three calendar years and the current year is at Annexure.

(b) & (c): The Securities and Exchange Board of India (SEBI), vide SEBI (FPI) Regulations, has put in place several measures to prevent the misuse of ODIs route and to identify the beneficial owner of these instruments. Some of the measures are as below:

i. ODIs/ PNs can be issued only to those entities which are regulated by the appropriate regulatory authority in the countries of their incorporation, after compliance with "Know Your Client" (KYC) norms.
ii. FPIs have to fully disclose information concerning PNs/ODIs, as and when and in such form as SEBI may require.
iii. ODI subscriber has to be a resident of a country whose securities market regulator is a signatory to International Organization of Securities Commission's Multilateral Memorandum of Understanding or a signatory to bilateral Memorandum of Understanding with SEBI.
iv. ODI subscriber being a bank, has to be a resident of a country whose central bank is a member of Bank for International Settlements.
v. ODI subscriber should not be a resident of a country identified in the public statement of Financial Action Task Force as a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply or has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies.
vi. ODI issuers are required to provide reports on monthly basis in a prescribed format containing information pertaining to their ODI activities in the preceding month by 10th of the subsequent month.
vii. FPIs are prohibited from issuing PNs/ODIs to Resident Indians/Non-Resident Indians (NRIs) and they are also required to give an undertaking to this effect.
viii. SEBI vide circular CIR/IMD/FPI&C/59/2016 dated June 10, 2016 has streamlined the KYC process wherein FPIs are required to maintain the BO information of its ODI subscribers in line with the Rule 9 of PMLA, i.e. BO information is to be furnished in case the holding of natural person(s) is above specific thresholds. Further it has been clarified that NRI/PIO cannot be beneficial owner of an ODI subscriber.
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ANNEXURE REFERRED TO IN PART (A) OF LOK SABHA UNSTARRED QUESTION NO. 3864 TO BE ANSWERED ON MARCH 24, 2017
Outstanding Notional Value of Offshore Derivative Instruments (ODIs)
As on the last day of the Month Notional Value of outstanding ODIs on Equity, Debt and Derivatives (INR cr.)
Jan-14 163,348
Feb-14 172,738
Mar-14 207,639
Apr-14 187,486
May-14 211,740

Jun-14 224,248
Jul-14 208,284
Aug-14 211,499
Sep-14 222,394
Oct-14 265,675
Nov-14 249,210
Dec-14 236,677
Jan-15 268,033
Feb-15 271,752
Mar-15 272,078
Apr-15 268,168
May-15 284,826
Jun-15 275,436
Jul-15 272,053
Aug-15 253,310
Sep-15 253,875
Oct-15 258,287
Nov-15 254,600
Dec-15 235,534
Jan-16 231,317
Feb-16 217,740
Mar-16 223,077
Apr-16 212,132
May-16 215,338
Jun-16 210,731
Jul-16 212,179
Aug-16 216,232
Sep-16 212,509
Oct-16 199,987
Nov-16 179,648
Dec-16 157,306
Jan-17 175,088
Feb-17 170,191